

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of)

PUBLIC UTILITIES COMMISSION)

Docket No. 2008-0273

Instituting a Proceeding to Investigate)
the Implementation Of Feed-in Tariffs)
_____)

HAIKU DESIGN AND ANALYSIS
COMMENTS ON THE HECO COMPANIES'
PROPOSED CONCEPTUAL FRAMEWORK FOR
RELIABILITY STANDARDS WORKING GROUP
AND
CERTIFICATE OF SERVICE

PUBLIC UTILITIES
COMMISSION

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HAIKU DESIGN AND ANALYSIS
COMMENTS ON THE HECO COMPANIES'
PROPOSED CONCEPTUAL FRAMEWORK FOR
RELIABILITY STANDARDS WORKING GROUP

Carl Freedman, dba Haiku Design and Analysis (HDA) respectfully offers the following brief comments on the "Proposed Conceptual Framework for Reliability Standards Working Group" filed with the Commission by Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., and Maui Electric Company, Limited (collectively HECO Companies) as Attachment 1 to the February 26, 2010 letter captioned "*Docket No. 2008-0271 – Feed-in Tariff ("FIT") Proceeding Response to Commission Letter of February 19, 2010*". HDA's comments are offered in accordance with the amended procedural schedule in this docket approved by the Commission by its Order Granting Extension Request dated March 11, 2010.

(1) THE DURATION OF HECO'S PROPOSED DEFERRAL AND LIMITATION OF FEED-IN TARIFF IMPLEMENTATION REMAINS UNDISCLOSED.

In a submission filed in this docket on February 8, 2010 the HECO Companies proposed to defer implementation of feed-in tariffs and other distributed generation on the outer islands pending implementation of mitigation measures to resolve system generation level reliability concerns. It was also proposed that implementation on the island of Oahu beyond a limited amount should also be deferred. The nature and timing of implementation of mitigation measures were not specified in HECO's February 8, 2010 submission.

By letter dated February 19, 2010 the Commission asked the HECO Companies to elaborate on several matters proposed by the HECO Companies. Specifically, the Commission asked the HECO Companies (1) "how and when will appropriate mitigation measures be identified and employed" and (2) to elaborate on the HECO Companies' proposal to convene a "Reliability Standards Working Group" (RSWG).

The HECO Companies responded to the Commission's questions by letter dated February 26, 2010. In their response, the HECO Companies did not explain how or when appropriate mitigation measures would be employed that might address the proposed deferrals and limitations of feed-in tariff and variable distributed generation resource procurement. A proposed schedule is offered on page 7 of Attachment 1 of HECO's February 26, 2010 response (Attachment 1) that identifies a final report to the Commission by the RSWG on June 30, 2011. It appears that the June 30, 2011 final report might identify appropriate mitigation measures but there is no date or timeline regarding effective employment of mitigation measures. The response does indicate that the HECO Companies would proceed with implementation of identified mitigation measures identified prior to completion of the RSWG process but the nature, scope and timing of these expedited measures are not specified.

It remains undisclosed for what period of time the proposed deferrals of distributed generation procurement may be in effect.

(2) IT SHOULD BE EXAMINED AND DETERMINED WHETHER IMPLEMENTATION OF FEED-IN TARIFFS AND DISTRIBUTED GENERATION SHOULD BE DEFERRED UNTIL THE FINAL RESULTS OF THE PROPOSED RSWG.

Regardless of any merits of the HECO Companies' RSWG proposal it must be recognized that implementation of the RSWG will take a substantial amount of time. It is proposed that, during the RSWG process, the implementation of feed-in tariffs and distributed generation resources should be deferred. Meanwhile, implementation of other transmission level renewable generation resources would proceed by other procurement methods, including resources procured by RFP, competitive bidding and unsolicited bids.

Determining whether feed-in tariff and distributed generation projects should be deferred pending the RSWG process requires (1) some assessment of the merits of the HECO Companies' concerns regarding impacts on system reliability and (2) some explanation why generation system level reliability concerns prevent implementation of distribution level projects but can allow implementation of larger transmission level projects without reliance on carefully determined reliability standards. The transmission level projects include variable renewable generation projects (particularly wind generation) that would impose a far greater amount of generation system reliability impacts as the deferred distributed generation resources.

In making this determination the Commission should also consider the impacts on an existing Hawaii industry that is actively implementing distributed renewable generation resources under the net energy metering (NEM) tariff. The HECO Companies proposal includes requesting deferral of the planned extension of the NEM tariff system cap from 3% to 4% on the outer islands.

More generally, to the extent that "space" on the system grids for variable generation is ultimately limited, the proposed extended deferrals could substantially limit the ultimate amount of implementation of feed-in tariffs and distributed generation.

(3) IT SHOULD BE CLEAR THAT THE PROPOSED RSWG PROCESS IS CONSISTENT WITH ACCEPTED ADMINISTRATIVE PROCEDURES.

The proposed RSWG process is proposed as a part of the instant feed-in tariff docket. There are several aspects of the proposal that should be considered to ensure that the process will comport with accepted standards for administrative procedures.

- It should be clear whether any reliability standards adopted as a result of the RSWG process would apply only regarding feed-in tariffs and/or distributed generation or whether standards apply more generally.
- It should be clear whether any adopted reliability standards would serve as utility adopted guidelines, Commission approved guidelines or would have the effect of rules.
- To the extent that any adopted reliability standards would apply generally it should be considered whether affected stakeholders beyond the identified parties in the instant docket should be allowed to participate, either formally as intervenors/participants or by participation on the RSWG. This determination should be made from both a legal standpoint and from a practical standpoint (what stakeholders have pertinent or necessary knowledge or perspective on the substantive issues).
- It should be clear what process would be used to adopt any recommendations or findings made by the proposed technical support group or the proposed working group. Would there be a schedule of proceedings with filings to the Commission associated with the process? Would an evidentiary record be created? Would there be hearings?

(4) THE SCOPE OF THE RSWG OBJECTIVES AND SUBJECT MATTER SHOULD BE MORE EXPLICITLY DEFINED.

The scope of the proposed RSWG process is outlined in section II of Attachment 1 titled “Working Group Role and Objectives”.

- It is proposed that the RSWG would assess the February 8, 2010 submission by the HECO Companies but it is not clear whether the RSWG would formulate real reliability standards. HECO’s February 2, 2010 submission proposes system caps but does not formulate any real reliability standards that would define what constitutes adequate reliability or would otherwise serve the need for standards to serve ongoing and expanding planning, operation and regulatory purposes.
- It is proposed that the RSWG would “identify near-term, mid-term and long-term solutions for each island and work to implement those solutions as quickly as possible”. This objective goes substantially beyond the establishment of standards and addresses a real need to find and implement solutions to mitigate constraints on each island grid. This is a laudable objective that could perhaps be the first real comprehensive effort to resolve grid constraint issues that would be visible to the general public as a matter of public record. The scope of this ultimately necessary and ambitious effort in the proposed process, however, needs to be more clearly defined. What will be investigated in the proposed process? To what extent will decisions about implementation be made in the proposed process? Will the process include economic analysis as well as technical analysis? Is it really the intent to implement “solutions” as part of the proposed process or will the process result in proposals to the Commission in separate dockets or the amended IRP/CESP process?

(5) THE DECISION-MAKING PROCESS IN THE GOVERNANCE OF THE RSWG PROCESS SHOULD BE MORE CLEARLY DEFINED.

Sections II. and III. of Attachment I outline the operating structure and governance of the proposed RSWG. Although the structure of the RSWG is explained, it is not clear which entities would make decisions or how decisions would be made. For example, it appears that the Technical Support Group (chaired by the HECO Companies) would directly oversee the contracts and work products of the outside consultants and contractors. It also appears that the Technical Support Group would serve and report to the Reliability Standards Working Group. Which group would make final decisions about the scope of work for the consultants (including determination of the form and scope of the substantive questions posed)? Would decisions be subject to review by the Commission or its consultants (identified as “NRRI and NREL”)?

In discussion of the RSWG proposal at a recent technical workshop, several parties asserted that the technical studies could be a “black box” and that the working group would not have access to the framing or results of the work products of the technical consultants. Clarification of the decision-making process in the governance of the RSWG process might address these concerns.

CERTIFICATE OF SERVICE

The foregoing HAIKU DESIGN AND ANALYSIS COMMENTS ON THE HECO COMPANIES' PROPOSED CONCEPTUAL FRAMEWORK FOR RELIABILITY STANDARDS WORKING GROUP was served by electronic transmission on the date of signature below to the following parties in this docket except that as noted, the Division of Consumer Advocacy was also served two copies on the same date by first class mail:

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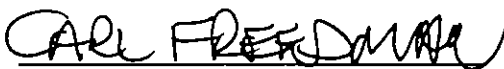
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Dated: March 13, 2010; Haiku, Hawaii

Signed: 
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